Corporate Credit Rating

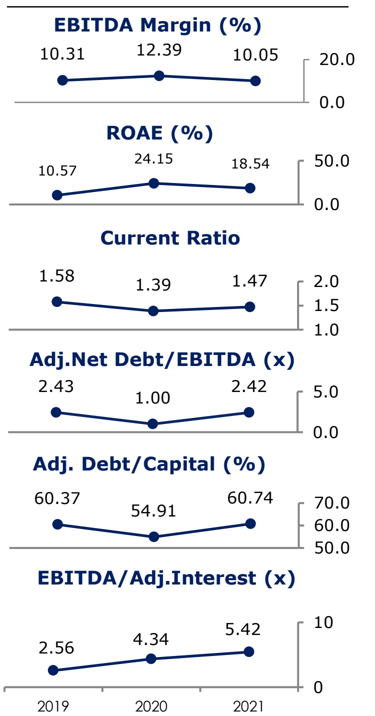
☐New ☒Update

Sector: Consumer Durables
Publishing Date: 20/12/2022

Chief Analyst
Bora Pakyürek
+90 212 352 56 73
bora.pakyurek@jcrer.com.tr
Team Leader
Başak Erçevik
+90 212 352 56 73
basak.ercevik@jcrer.com.tr
Assistant Analyst
Adem Çengel
+90 212 352 56 73
adem.cengel@jcrer.com.tr

RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	**National ICR**	**AAA (tr)**	**J1+ (tr)**
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

** Assigned by JCR on Aug 18, 2022*



ARÇELİK A.Ş.

JCR Eurasia Rating has evaluated **"Arçelik A.Ş."** in the highest investment grade category and affirmed the Long-Term National Issuer Credit Rating as **'AAA (tr)'** and the Short-Term National Issuer Credit Rating at **'J1+ (tr)'** with **'Stable'** outlooks. When the global and national scale rating matching published by JCR Eurasia Rating is considered, the Company's Long-Term International Issuer Credit Ratings are affirmed at **'BB'**. Additionally, the outlooks on the International Long-Term Issuer Credit Rating perspectives of the Company have been assigned as **'Negative'** in line with the sovereign rating outlook of the Republic of Türkiye.

Arçelik A.Ş. ("Arçelik", "the Group" or "the Company") was established in 1955 and currently operates in the fields of production, marketing, sales, after sales, export and import of household durables and consumer electronics. The Group conducts its manufacturing activities via 30 factories which are located in Türkiye (13 factories), Pakistan (3), Thailand (3), Russia (3), Romania (2), Republic of South Africa (2), Bangladesh (2), China (1) and India (1) according to the latest Investor Presentation (December, 2022). The Group has 52 subsidiaries across regions and serves to more than 150 countries. As of 30.09.2022, Europe was the leading region in the revenue breakdown with 38.96% share in net sales while Türkiye and APAC followed with 28.24% and 18.52% shares, respectively. The Group is the market leader with its Arçelik brand in the domestic MDA6, free-standing and built-in segments and market leader with its Beko brand in Europe according to 3Q2022 Earnings Presentation. Beko and Blomberg brands take place in the Turquality Support Program of the Ministry of Trade of the Republic of Türkiye. Arçelik consistently takes place in "Türkiye's Top 500 Industrial Enterprises Survey" of İstanbul Chamber of Industry and has ranked 8th in the 2021 survey in terms of sales from production. Furthermore, thanks to its export power, the Company ranked 6th in the general ranking and 2nd in the sectoral ranking in 'Türkiye's Top 1000 Exporters 2021' survey of Turkish Exporters Assembly. Koç Holding A.Ş. was the principal shareholder of the Company with 40.56% shares in capital and the Company is ultimately controlled by Koç Group with 57.24% share in capital. The shares of Arçelik have been publicly traded on Borsa İstanbul (BIST) since 1986 with 'ARCLK' ticker and currently takes place in the list of constituents of 'BIST Stars', 'BIST100', 'BIST 30', 'BIST Corporate Governance' and 'BIST Sustainability' indices. The actual outstanding share ratio of the Company was 14.96% as of 30.09.2022.

Key rating drivers, as strengths and constraints, are provided below.

Strengths	Constraints
• Consistent profitability figures in the analyzed period along with significant improvement in sales revenues in FY2021, • Top-tier positions in key markets further strengthened by organic and inorganic growth in geographically expanding business network, • Moderate leverage profile and ease to access to diversified financial resources, • Liquidity metrics at sufficient levels guarding against immediate cash outflows, • Maintained asset quality thanks to remarkably collateralized receivables, • Cost advantages thanks to manufacturing in low cost countries which serve nearby geographies, • Broad sales and after-sales network coupled with omnichannel capabilities and strong brand perception, • Strong emphasis on R&D, innovation, new market trends and sustainability, • High compatibility with the corporate governance practices as proven by its listed status in Borsa İstanbul Corporate Governance Index, • Being a subsidiary of one of the Türkiye's leading investment holding companies; Koç Holding,	• Rising input costs and financing expenses pressuring profitability performance at 9M2022, • Sectoral contraction in domestic and European market, • Global recession and geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty and monetary tightening across the globe deteriorating growth projections.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been affirmed at **'AAA (tr)'**. The Company's ongoing sales and EBITDA performance, leverage and liquidity profile, asset quality, corporate governance practices along with lowering profit margins in FY2022 and deterioration in local and global macroeconomic conditions have been evaluated as important indicators for the **'Stable'** outlooks for the Short and Long-Term National Issuer Credit Ratings. The Company's revenue generation performance, leverage profile, liquidity metrics, profitability margins and input costs will be closely monitored by JCR Eurasia Rating in the upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.